

**LOUISIANA USED MOTOR VEHICLE COMMISSION
BATON ROUGE, LOUISIANA**

**Financial Report
As of and for the Year Ended
June 30, 2013**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 09 2013

LOUISIANA USED MOTOR VEHICLE COMMISSION
Financial Report
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June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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Board of Commissioners
Louisiana Used Motor Vehicle Commission
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Louisiana Used Motor Vehicle Commission (the Commission), a related organization of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisiana Used Motor Vehicle Commission as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the Commission has adopted the provisions of GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 5-9 and 27 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements.

I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Per Diem Paid to Commission Members on page 29, is not part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 27, 2013, on my consideration of the Louisiana Used Motor Vehicle Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Louisiana Used Motor Vehicle Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "John L. McKowen, CPA". The signature is fluid and cursive, with the letters "J", "L", and "M" being particularly prominent.

John L. McKowen, CPA

Baton Rouge, Louisiana
August 27, 2013

REQUIRED SUPPLEMENTARY INFORMATION
(PART 1 OF 2)

**LOUISIANA USED MOTOR VEHICLE COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The purpose of this section is to offer a narrative overview and analysis of the Louisiana Used Motor Vehicle Commission's (hereafter referred to as the Commission) financial performance - past and present - and its future prospects. It focuses, however, on the current year activities, resulting changes and currently known facts. It should be read in conjunction with the financial report taken as a whole.

Overview of the Commission

The Louisiana Used Motor Vehicle Commission is a related organization of the State of Louisiana created within the Office of the Governor as provided by LA RS 32:772 and governed by LA RS 32:783. The Commission serves as a statewide authority to license and regulate used motor vehicle dealers, sales personnel, motor vehicle crushers, dealers of used parts and accessories, and dismantlers and parts recyclers. It also conducts hearings, if warranted, on complaints against these individuals or businesses. Operations of the Commission are funded by self-generated funds which are primarily license fees.

Ten Commissioners, who are appointed by the Governor, provide guidance to this Commission. Commissioners are authorized by 32:772(c) to receive a per diem of \$75 for each meeting day and are reimbursed for travel and related expenses while performing commission business. The Commission holds at least 12 meetings per year. During meetings, the Commissioners review and approve financial statements consisting of the balance sheet, revenue and expenditure statement (which includes month-to-date, year-to-date, and budgeted figures), the certificate of deposit summary, and accounts receivable-hearings reports.

The Commission had 13 employees during the audited year, other than the Commissioners. The Annual Financial Report is obtained on a contract basis and the Commission accounting staff assists in its preparation. The Commission has one checking account and five certificates of deposit. Two signatures are required on each check and the authorized signatures are that of the Executive Director, the Administrative Assistant 5, and the Accounting Technician. The Administrative Coordinator 3 prepares the accounts payable checks. The Accounting Technician and the Administrative Coordinator 3, under the supervision of the Accounting Technician, prepare the payroll. Bank statements are reconciled by the Accounting Technician and approved by the Executive Director.

Overview of the Financial Statement Presentation

These financial statements are comprised of these components – (1) management's discussion and analysis, (2) basic financial statements, (3) notes to the financial statements and (4) required supplemental information. There is also other supplemental schedules and information contained in this report provided for additional information.

Basic Financial Statements. The basic financial statements present information for the Commission as a whole. Statements in this section include the following:

Statement of Net Position. This statement presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between assets plus deferred outflows and liabilities plus deferred inflows is net position, which may provide a useful indicator of whether the financial position of the Louisiana Used Motor Vehicle Commission is improving or deteriorating.

**LOUISIANA USED MOTOR VEHICLE COMMISSION
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Statement of Revenues, Expenses and Changes in Net Position. This statement presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement is designed to show the Commission's financial reliance on general revenues.

Statement of Cash Flows. The change in cash as a result of current year operations is depicted in this statement. The cash flow statement includes a reconciliation of operating income (loss) to the net cash provided by or used for operating activities as required by GASB No. 34.

The basic financial statements can be found on pages 11-14 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The index of the notes is found on page 16 with the actual notes beginning immediately afterwards

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information that is deemed useful to readers of this report.

Financial Analysis of the Commission

Net position is an indicator of the Commission's financial position from year to year. A summary of net position follows.

SUMMARY OF NET POSITION

	<u>2013</u>	<u>2012</u>
Assets		
Current assets	\$ 1,900,147	\$ 1,172,103
Non-current assets	<u>193,734</u>	<u>669,139</u>
Total Assets	<u>2,093,881</u>	<u>1,841,242</u>
Liabilities		
Current liabilities	375,705	294,210
Non-current liabilities	<u>678,602</u>	<u>652,313</u>
Total Liabilities	<u>1,054,307</u>	<u>946,523</u>
Net position		
Invested in capital assets, net of related debt	193,734	171,161
Unrestricted	<u>845,840</u>	<u>723,557</u>
Total Net Position	<u>1,039,574</u>	<u>894,719</u>

**LOUISIANA USED MOTOR VEHICLE COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Between June 30, 2012 and June 30, 2013 the net position of the Commission increased by \$144,855, or 16%.

A summary of changes in net position is as follows:

SUMMARY OF CHANGES IN NET POSITION

	<u>2013</u>	<u>2012</u>
Operating Revenues	\$ 1,131,532	\$ 1,236,665
Operating Expenses	<u>(994,257)</u>	<u>(940,354)</u>
Operating Income (Loss)	137,275	296,311
Non-operating Revenues (Expenses)	<u>7,580</u>	<u>7,368</u>
Change in Net position	<u><u>144,855</u></u>	<u><u>335,090</u></u>

Revenues decreased by \$105,133 or 9%. Expenses increased by \$53,903 or 6% of the prior year's expenses

Cash flow activity of the Commission for the past two years is as follows:

STATEMENT OF CASH FLOWS

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents provided by (used for):		
Operating activities	\$ 261,659	\$ 527,434
Non-capital financing activities	-	-
Capital and related financing activities	(38,186)	(29,347)
Investing activities	<u>8,106</u>	<u>(92,640)</u>
Net Increase in Cash and Cash Equivalents	231,579	405,447
Cash and cash equivalents, beginning of year	<u>1,113,473</u>	<u>708,026</u>
Cash and cash equivalents, end of year	<u><u>1,345,052</u></u>	<u><u>1,113,473</u></u>

Budgetary Highlights

Revenues were less than anticipated by \$26,840 or 2%. Expenses, on the other hand, were less than budgeted \$170,707 or 15%. This resulted in an overall positive change in net position of \$143,867 more than budgeted

**LOUISIANA USED MOTOR VEHICLE COMMISSION
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JUNE 30, 2013**

Capital Asset and Debt Administration

Capital Assets: The Commission's investment in capital assets, net of accumulated depreciation, at June 30, 2013 and 2012, was \$193,734 and \$171,161, respectively. The most significant capital asset is the Commission's building at a total cost of \$255,488 including land.

Capital assets at year-end are summarized as follows:

CAPITAL ASSETS		
Net of Accumulated Depreciation		
	<u>2013</u>	<u>2012</u>
Non-depreciable Assets		
Land	\$ 50,000	\$ 50,000
Depreciable Assets		
Buildings	83,682	88,912
Parking lot	9,200	9,775
Website	1,960	-
Autos and equipment	48,891	22,474
Total	<u>193,733</u>	<u>171,161</u>

Capital acquisitions during the year included website development, office furniture and a new vehicle costing a total of \$38,185. Several fully depreciated items of equipment, and one with a remaining book value of \$526, which were no longer being utilized were retired as surplus to the State of Louisiana during the year

Debt Administration Long-term debt of the Commission includes compensated absences at amounts of \$40,401 and \$36,874 at June 30, 2013 and 2012, respectively. There is also an actuarially determined obligation for post-employment benefits of \$638,201 at June 30, 2013, up from \$615,439 at June 30, 2012.

Future Plans and Next Year's Budget

During the 2013 license year, Districts 4 and 5 of the State of Louisiana operated in the second year of their two-year licenses which will expire December 31, 2013. Districts 1, 2 and 3 moved to two-year licenses in 2013, with an expiration date of December 31, 2014. All salesperson licenses in all districts will continue to renew annually. Licensees are encouraged to renew online through the Commission's recently updated website. In an effort to increase the lines of communication and ensure maximum efficiency each licensee receives an email address provided by the Commission. The provided email address allows for broader functionality between the licensee and the Commission, which will increase levels of service and communication to licensees.

In the upcoming fiscal year, the Commission will continue to improve enforcement procedures throughout the state. Monitoring of licensees will continue to be a priority as the Commission's

**LOUISIANA USED MOTOR VEHICLE COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

procedures are further automated to enable timely and accurate information to be available to its compliance investigators.

The Accounting Department of this Commission began to realize the benefits of more automated operations in this fiscal year. Improvements continue to be made in internal control procedures. Automation has been instituted in the areas of benefits payable, payroll and timekeeping, tracking employee leave hours, and scanning paid invoices into the accounting program. In addition, planning and implementation of facility maintenance and improvement was instituted during the year. Projects will continue through the next budget year.

Overall, this Commission is moving toward new policies and procedures which will enable a leaner, more efficient operation and will benefit the licensees and public which it serves.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances, comply with finance-related laws and regulations and demonstrate the Commission's commitment to public accountability. Any questions or requests for additional information can be obtained by contacting Mr. Derek Parnell at 3132 Valley Creek Drive, Baton Rouge, Louisiana 70808, 225-925-3874.

BASIC FINANCIAL STATEMENTS

LOUISIANA USED MOTOR VEHICLE COMMISSION

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Business-type Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,345,052
Investments	497,978
Accounts receivable, net of allowance of \$6,300	55,650
Prepaid expenses	1,467
	<u>1,900,147</u>
Total Current Assets	
Non-Current Assets	
Land	50,000
Building/parking lot	205,488
Auto and equipment	162,355
Website	2,450
Accumulated depreciation	(226,559)
	<u>193,734</u>
Total Non-Current Assets	
Total Assets	2,093,881
LIABILITIES	
Current Liabilities	
Accounts payable	30,618
Payroll taxes withheld and related payables	31,951
Accrued salaries payable	6,923
Deferred revenue	306,213
	<u>375,705</u>
Total Current Liabilities	
Non-Current Liabilities	
Compensated absences payable	40,401
Other post-employment benefits plan payable	638,201
	<u>678,602</u>
Total Non-Current Liabilities	
Total Liabilities	1,054,307
NET POSITION	
Invested in capital assets, net of related debt	193,733
Unrestricted	845,841
	<u>1,039,574</u>
Total Net Position	

See Accompanying Notes and Auditors' Report

LOUISIANA USED MOTOR VEHICLE COMMISSION

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2013**

	<u>Business-type Activities</u>
<u>OPERATING REVENUES</u>	
Licenses and other fees	\$ 788,319
Auction fees	\$ 264,229
Hearing costs and fines, net of uncollectibles of \$1,830	\$ 63,010
Mailing lists/labels/other revenue	\$ 15,974
Total Operating Revenues	<u>\$ 1,131,532</u>
<u>OPERATING EXPENSES</u>	
Salaries and related benefits	\$ 752,068
Meetings, conferences and travel	\$ 10,685
Professional services	\$ 67,435
Maintenance and repairs	\$ 22,085
General and administrative	\$ 126,897
Depreciation	\$ 15,087
Total Operating Expenses	<u>\$ 994,257</u>
Operating Income	\$ 137,275
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	\$ 8,106
Loss on disposal of capital assets	\$ (526)
Total Non-Operating Revenues (Expenses)	<u>\$ 7,580</u>
Change in Net Position	\$ 144,855
Total Net Position, beginning	<u>\$ 894,719</u>
Total Net Position, ending	<u><u>\$ 1,039,574</u></u>

See Accompanying Notes and Auditors' Report

LOUISIANA USED MOTOR VEHICLE COMMISSION

**STATEMENT OF CASH FLOWS
YEAR END JUNE 30, 2013**

	<u>Business-type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,194,605
Cash paid to suppliers for goods/services	\$ (206,680)
Cash paid to employees for services	<u>\$ (726,266)</u>
Net Cash Provided by Operating Activities	\$ 261,659
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>\$ (38,186)</u>
Net Cash Used for Capital and Related Financing Activities	\$ (38,186)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	<u>\$ 8,106</u>
Net Cash Provided by Investing Activities	<u>\$ 8,106</u>
Net Increase in Cash and Cash Equivalents	\$ 231,579
Cash and Cash Equivalents, beginning of year	<u>\$ 1,113,473</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 1,345,052</u></u>

Continued

LOUISIANA USED MOTOR VEHICLE COMMISSION

STATEMENT OF CASHFLOWS (Continued)
YEAR END JUNE 30, 2012

	<u>Business-type Activities</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	137,275
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	15,087
(Increase) decrease in assets:	
Accounts receivable	2,980
Prepaid expenses	(1,467)
Increase (decrease) in liabilities:	
Accounts payable	21,889
Accrued salaries and retirement payable	(487)
Deferred revenue	60,093
Compensated absences payable	3,527
Other post-employment benefits plan payable	<u>22,762</u>
Net Cash Provided by Operating Activities	<u><u>261,659</u></u>

See Accompanying Notes and Auditors' Report

NOTES TO FINANCIAL STATEMENTS

**LOUISIANA USED MOTOR VEHICLE COMMISSION
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JUNE 30, 2013**

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LOUISIANA USED MOTOR VEHICLE COMMISSION
NOTES TO FINANCIAL STATEMENTS
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INTRODUCTION

The Louisiana Used Motor Vehicle Commission is a related organization of the State of Louisiana. It was created within the Office of the Governor as provided by Louisiana Revised Statute 32:772 in 1984, and is governed by La. R.S. 32:783. The Commission serves as a statewide authority to license and regulate used motor vehicle dealers, sales personnel, motor vehicle crushers, dealers of used parts and accessories and dismantlers and parts recyclers. It also conducts hearings, if warranted, on complaints against these individuals or businesses. Headquartered in Baton Rouge, the Commission's operations are funded by self-generated funds which are primarily license fees.

The Commission is composed of 10 members appointed by the Governor of the State of Louisiana and serve concurrent terms with that of the Governor. Five of the members must be licensed used motor vehicle dealers from each of the Public Service Commission districts. Three of the members must be consumers selected at large. One each of the following make up the remaining members – (1) licensed automotive dismantler or parts recycler, and (2) licensed conductor of used motor vehicle auctions or salvage pool auctions. Commission members, as authorized by Louisiana Administrative Code 46:317(C), may receive a per diem of \$75 per day in addition to actual expense reimbursement to attend meetings or conduct Commission-approved business

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Louisiana Used Motor Vehicle Commission (the Commission) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements present the financial position, results of operations, and cash flows of the Commission as of and for the year ended June 30, 2013.

Financial Reporting Entity: As required by GASB Statement No. 61, *The Financial Reporting Entity – an amendment of GASB Statements No. 14 and No. 34*, the Commission is considered a related organization of the State of Louisiana. The accompanying financial statements present only the transactions of the Louisiana Used Motor Vehicle Commission.

Basis of Presentation - Fund Accounting: Proprietary funds are used to account for the Commission's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resources measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the Statement of Financial Position. The operating statement presents increases (revenues) and decreases (expenses) in total net position. The Commission maintains one proprietary fund, the General Fund.

Basis of Accounting: The Commission prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Such principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported

LOUISIANA USED MOTOR VEHICLE COMMISSION
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amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Commission has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), excluding those issued after November 30, 1989.

Basis of Reporting: The Commission has adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and also the required portions of GASB Statement No. 37, *Basic Financial Statements – for State and Local Governments – and Management’s Discussion and Analysis – for State and Local Governments. Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*, which modified the disclosure requirements of GASB No. 34. GASB No. 34 established standards for external reporting for all state and local governmental entities. It requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt. This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws and regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net position consists of net position that does not meet the definition of restricted, or invested in capital assets, net of related debt.

Net Position: On July 1, 2012, the Commission adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provided financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position. State and local governments enter into transactions that result in the consumption or acquisition of net position in one period that are applicable to future periods. GASB Statement No. 63 requires that deferred outflows of resources should be reported in a separate section following assets and deferred inflows of resources should be reported in a separate section following liabilities.

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position should be displayed in three components - *invested in capital assets, net of related debt* consisting of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction or improvement of those assets; *restricted* distinguishing between major categories of restrictions and consisting of restricted assets reduced by liabilities and deferred inflows of resources related to those assets; and *unrestricted* consisting of the net amount of assets, deferred outflows of resources, liabilities, and

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

deferred inflows of resources that are not included in the determination of capital assets, net of related debt or the restricted portion of net position.

Budgets and Budgetary Accounting: Subject to the Louisiana Licensing Agency Budget Act established by Louisiana Revised Statutes 39:1331-1342, the Commission adopts an annual budget prepared in accordance with the basis of accounting utilized by that fund. The Commission must approve any revisions that alter the total expenditures. Although budget amounts lapse at year end, the Commission retains its unexpended fund balances to fund expenditures in the succeeding year.

Cash and Cash Equivalents: Cash and cash equivalents include amounts in interest-bearing demand deposits. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents

Investments: Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported in investment earnings

The Commission's policy is tailored after Louisiana Revised Statute 49.327 and prohibits investments with maturities extending beyond twelve months. The policy also requires that three quotes be obtained from allowable financial institutions as to interest rates and that the amounts of the investment not exceed an amount insured by FDIC (\$250,000) and pledged collateral at any one institution.

Inventory: Inventory of the Commission includes only office supplies and printed materials, the amount of which is considered immaterial. Therefore, the acquisition of these items is expensed when purchased, and the inventory on hand at year-end is not reported in the accompanying financial statements.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets: Capital assets are recorded at historical cost. Depreciation is recorded using the straight-line method over the useful lives of the assets. Generally, the Commission includes all capital acquisitions with a cost of \$1,000 in its fixed asset inventory. However, certain items at a cost below that amount may be capitalized if benefits of the item will extend beyond one year and/or the Commission wants to monitor the item.

Compensated Absences: Employees of the Commission earn and accumulate vacation and sick leave at varying rates depending on their years of service. The amount of vacation and sick leave that

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

may be accumulated by each employee is unlimited. Upon termination, however, employees or their heirs are compensated for only up to 300 hours of unused vacation leave. This is computed at the employee's hourly rate of pay at the time of termination. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. At June 30, 2013, employees of the Commission had accumulated and vested \$40,401 in employee leave benefits, which was computed in accordance with GASB Codification Section C60.150.

NOTE 2 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 2013:

	<u>Book Balance</u>	<u>Bank Balance</u>
Petty cash	\$ 500	\$ 500
Interest-bearing demand deposits	<u>1,344,552</u>	<u>1,112,973</u>
Total	<u>1,345,052</u>	<u>1,113,473</u>

These deposits are stated at cost, which approximates market. Under state law, they must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding, or custodial bank that is mutually acceptable to both parties.

With the adoption of GASB Statement No. 40, only deposits that are considered exposed to custodial credit risk are required to be disclosed. The Commission does not have any deposits that fall within this category.

NOTE 3 – INVESTMENTS

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured and unregistered, not registered in the name of the entity or are held either by the counter-party or the counter-party's trust department or agent but not in the entity's name. The Commission does not have any investments subject to credit risk. All investments are certificates of deposit with maturities extending beyond 90 days. At June 30, 2013, the Commission had certificates whose reported amount equaled its fair value as follows:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Concordia Bank & Trust	1/03/14	0.55%	\$ 200,000
Community Trust Bank	8/22/13	0.90%	100,000
Landmark Bank	4/24/14	0.70%	99,008
Landmark Bank	4/17/14	0.70%	<u>98,970</u>
Total			<u>497,978</u>

LOUISIANA USED MOTOR VEHICLE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – RECEIVABLES

The following is a summary of receivables at June 30, 2013:

Class of Receivables

Accounts - hearings, net of allowance of \$6,300 \$ 55,650

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital Assets, being depreciated:				
Buildings and improvements	205,488	-	-	205,488
Less: accumulated depreciation	<u>106,801</u>	<u>5,805</u>	<u>-</u>	<u>112,606</u>
Net Buildings and Improvements	98,687	(5,805)	-	92,882
Autos and equipment	170,845	35,735	(44,225)	162,355
Less: accumulated depreciation	<u>148,371</u>	<u>8,792</u>	<u>(43,699)</u>	<u>113,464</u>
Net Autos and Equipment	<u>22,474</u>	<u>26,943</u>	<u>(526)</u>	<u>48,891</u>
Website	-	2,450	-	2,450
Less: accumulated depreciation	<u>-</u>	<u>490</u>	<u>-</u>	<u>490</u>
Net Website	<u>-</u>	<u>1,960</u>	<u>-</u>	<u>1,960</u>
Net Capital Assets, being depreciated	<u>121,161</u>	<u>23,098</u>	<u>(526)</u>	<u>143,733</u>
Net Capital Assets	<u>171,161</u>	<u>23,098</u>	<u>(526)</u>	<u>193,733</u>

NOTE 6 – ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables at June 30, 2013

Class of Payables

Accounts	\$ 30,618
Payroll taxes withheld and related	31,951
Salaries	6,932
Deferred revenue	<u>306,213</u>
 Total	 <u>375,705</u>

LOUISIANA USED MOTOR VEHICLE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 – LEAVE

Annual and Sick Leave The Commission's employees earn and accumulate annual and sick leave at varying rates depending on their years of full-time service and are credited at the end of each month of regular service. Accumulated leave is carried forward to succeeding years without limitation. Requests for leave must be made to the employee's immediate supervisor and approved by the Executive Director or his/her designee. Upon termination, employees are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as current year expenditures when leave is earned. Only annual leave is accrued in the accompanying statement of net position, the amount unpaid at June 30, 2013 and 2012, being \$40,401 and \$36,874, respectively.

Compensatory Leave Non-exempt employees, according to the guidelines contained in the Fair Labor Standards Act, may be paid for compensatory leave earned. Upon termination or transfer, an employee is paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. This pay is based on the employee's hourly rate of pay at the time of termination or transfer. Compensatory leave was not accrued at June 30, 2013.

NOTE 8 – RETIREMENT SYSTEM

Substantially all of the employees of the Louisiana Used Motor Vehicle Commission are members of the Louisiana State Employees Retirement System (LASERS), a single employer defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time employees are eligible to participate. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service plus \$300 for employees hired before July 31, 1986. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service or (c) age 60 with 10 years of service. An option of reduced benefits at any age with 20 years of service is available. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual financial report that is available to the public including financial statements and required supplementary information of the System. That report may be obtained by contacting the Louisiana State Employees Retirement System, P O Box 44213, Baton Rouge, La. 70804-4213, 225-922-0605 or 800-256-3000.

Covered employees are required to contribute 7.5% of gross salary to the plan if hired before July 1, 2006, and 8% if hired thereafter. The Commission is required to contribute at an actuarially determined rate as required by Louisiana R S 11:102. That rate for the year ended June 30, 2013, was 29.1%.

LOUISIANA USED MOTOR VEHICLE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Contributions to the System for the years ended June 30, 2013, 2012 and 2011, were \$121,982, \$89,637 and \$87,244, respectively

NOTE 9 – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Commission may provide certain continuing health care and life insurance benefits for its retired employees through the Louisiana Office of Group Benefits. Substantially all of the Commission's employees become eligible for those benefits if they reach normal retirement age while working for the Commission and were covered by the Commission's active medical plan immediately prior to retirement. Those benefits include joint payment of monthly premiums for the coverage provided.

Plan Description The State of Louisiana's Other Post-Employment Benefit Plan (OPEB Plan) is an agent multiple-employer plan administered by the Louisiana Office of Group Benefits (OGB). There are three plans available to eligible retirees for health care – OGB Preferred Provider Organization (PPO), Humana Health Maintenance Organization (HMO) and United Exclusive Provider Organization (EPO). Participants eligible for Medicare coverage can choose one of two OGB Medicare Advantage Plans, either an HMO or private fee-for-service (PFFS) plan. Life insurance benefits include basic term life, basic plus supplemental term life, dependent term life and employee accidental death and dismemberment coverage. The policy is underwritten by The Prudential Insurance Company of America.

La. R.S. 42:801-883 provides for the authority under which benefit provisions are established and may be amended. The OGB does not issue a stand-alone report; however, it is included in the Louisiana Comprehensive Annual Financial Report (CAFR). The CAFR may be obtained from Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap, writing to P. O. Box 94095, Baton Rouge, LA 70804-9095 or by calling 225-342-0708.

Funding Policy. LRS 42:801-883 provides for the authority under which the obligations of the plan members and the system are established and may be amended. For employees hired prior to January 1, 2002, the cost of coverage is shared 25% by the participant and 75% by the Commission with the exception of single retirees under age 65. He/she must pay 25% of the active employee cost. Employees hired on or after January 1, 2002, pay a percentage of the total contribution rate based on his/her years of service at retirement (under 10 yrs. – 81%; 10-14 yrs. – 62%; 15-19 yrs. – 44%; 20+ yrs. – 25%). A lifetime maximum for healthcare benefits is set at \$5,000,000 for the PPO, HMO and EPO plans. The retiree must pay 50% of the life insurance premiums for him or herself and 88% for his/her spouse. Maximum coverage is capped at \$50,000. Premiums paid for healthcare coverage vary depending on the plan chosen. The plan is currently financed on a pay-as-you-go basis by the Commission.

LOUISIANA USED MOTOR VEHICLE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

OPEB Cost/Obligation The Commission's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the year ending June 30, 2013 is \$76,600.

The Commission's OPEB obligation for the year ended June 30, 2013, is as follows:

Annual required contribution/OPEB Cost	\$ 77,701
Contributions made	<u>(54,939)</u>
Change in Net OPEB Obligation	22,762
Net OPEB obligation, beginning	<u>615,439</u>
Net OPEB obligation, ending	<u>638,201</u>

Utilizing the pay-as-you-go method, the Commission contributed 71% of the annual post-employment benefits cost during the current year.

Funding Status and Funding Progress. As of June 30, 2013, the Commission had not made any contributions to its post-employment benefits plan trust. A trust was established with an effective date of July 1, 2008, but was not funded. Thus, it has no plan assets and a funding ratio of zero. Funding status and progress is summarized below

Unfunded actuarial accrued liability (UAAL)	\$ 638,201
Covered payroll (active employees)	480,832
UAAL as a percentage of covered payroll	133%

Actuarial Methods/Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

LOUISIANA USED MOTOR VEHICLE COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 7.0% and 8.1% for pre-Medicare and Medicare eligible, respectively, scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis.

NOTE 10 – LEASES

Operating Leases. A copier was leased from Kyocera for \$346.49 per month and is paid on a month-to-month basis or \$5,158 annually.

Capital Leases The Commission has no capital leases.

NOTE 11 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amounts Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 36,874	\$ 3,527	\$ -	\$ 40,401	\$ -
Other post-employment benefits	615,439	22,762	-	638,201	-
Total	652,313	26,289	-	678,602	-

NOTE 12– RELATED PARTY TRANSACTIONS

There were no related party transactions during the year

NOTE 13 – LITIGATION

There is no litigation that would require disclosure in this financial report.

NOTE 14 – SUBSEQUENT EVENTS

There were no events subsequent to year end and prior to the issuance of this report that would materially impact the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(PART 2 OF 2)

LOUISIANA USED MOTOR VEHICLE COMMISSION

**BUDGETARY COMPARISON SCHEDULE
YEAR END JUNE 30, 2013**

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and other fees	\$ 1,127,778	\$ 1,127,778	\$ 1,052,548	\$ (75,230)
Hearing costs and fines	\$ 34,000	\$ 34,000	\$ 63,010	\$ 29,010
Mailing lists/labels	\$ 500	\$ 500	\$ 1,535	\$ 1,035
Interest income	\$ 4,200	\$ 4,200	\$ 8,106	\$ 3,906
Other revenues	\$ -	\$ -	\$ 14,439	\$ 14,439
Total Revenues	\$ 1,166,478	\$ 1,166,478	\$ 1,139,638	\$ (26,840)
EXPENDITURES				
Salaries and related benefits	\$ 782,921	\$ 780,191	\$ 752,068	\$ 28,123
Meetings, conferences and travel	\$ 8,600	\$ 11,100	\$ 10,685	\$ 415
Professional services	\$ 131,490	\$ 118,420	\$ 67,435	\$ 50,985
Maintenance and repairs	\$ 54,500	\$ 54,500	\$ 22,085	\$ 32,415
General and administrative	\$ 172,979	\$ 186,279	\$ 127,423	\$ 58,856
Depreciation	\$ 15,000	\$ 15,000	\$ 15,087	\$ (87)
Total Expenditures	\$ 1,165,490	\$ 1,165,490	\$ 994,783	\$ 170,707
Change in Net Assets	\$ 988	\$ 988	\$ 144,855	\$ 143,867
Net Assets, beginning	\$ 894,719	\$ 894,719	\$ 894,719	\$ -
Net Assets, ending	\$ 895,707	\$ 895,707	\$ 1,039,574	\$ 143,867

See Auditors' Report

SUPPLEMENTARY INFORMATION

**LOUISIANA USED MOTOR VEHICLE COMMISSION
SCHEDULE OF PER DIEM PAID TO COMMISSION MEMBERS
JUNE 30, 2013**

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, this schedule of per diem/compensation paid to Commission members is presented for the year ended June 30, 2013.

<u>Name</u>	<u>Amount</u>
Brewer, George	750
Cornier, Tony	450
Duplessis, Ron (waived)	-
Floyd, George	900
Poteet, John	750
Roy, Kirby	900
Smith, Henry	675
Taylor, Dino	675
Turner, Doug	<u>600</u>
Total	<u>5,700</u>

See Auditors' Report

**John L. McKowen, CPA
2178 Myrtle Avenue
Baton Rouge, Louisiana 70806**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

To the Commissioners of the
Louisiana Used Motor Vehicle Commission
3132 Valley Creek Drive
Baton Rouge, Louisiana 70808

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Louisiana Used Motor Vehicle Commission, a related organization of the State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Louisiana Used Motor Vehicle Commission's basic financial statements, and have issued my report thereon dated August 27, 2013.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Louisiana Used Motor Vehicle Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Used Motor Vehicle Commission's internal control. Accordingly, I do not express an opinion on the effectiveness of the Louisiana Used Motor Vehicle Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Used Motor Vehicle Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit conducted in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



John L. McKowen, CPA
August 27, 2013

**LOUISIANA USED MOTOR VEHICLE COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

I have audited the basic financial statements of the Louisiana Used Motor Vehicle Commission as of and for the year ended June 30, 2013, and have issued my report thereon dated August 30, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2013, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control	Material Weakness	<input type="checkbox"/> No
	Significant Deficiencies	<input type="checkbox"/> No
Compliance	Compliance Material to F/S	<input type="checkbox"/> No

2. Federal Awards

N/A

Section II Financial Statement Findings

N/A

Section III Federal Award Findings and Questioned Costs

N/A

Section IV Management Letter

N/A

**LOUISIANA USED MOTOR VEHICLE COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2013**

Section I Internal Control and Compliance Material to the Financial Statements

N/A

Section II Internal Control and Compliance Material to Federal Awards

N/A

Section III Management Letter

N/A

**LOUISIANA USED MOTOR VEHICLE COMMISSION
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2013**

Section I Internal Control and Compliance Material to the Financial Statements

N/A

Section II Internal Control and Compliance Material to Federal Awards

N/A

Section III Management Letter

N/A